



# ***Executing to Should-Cost***

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# Surface Shipbuilding Successes



## Ship Construction Awards

- In FY11 32 Navy ships procured, including exercising existing options or contracting for options for future year ships (20 LCS, 2 DDG 1000, 4 DDG 51 Flight II restarts, 3 MLP, 1 LPD, and 2 JHSV).
  - Nov awards of AGOR brings total to 34
- Contract value (options exercised or contracted) \$14.5B.

Under Contract & Building	To Go (FY 12)
22 LCS (20)	---
4 DDG 51 (4)	---
3 DDG 1000 (2)	---
2 Deckhouses	1 Deckhouse
4 LPD 17 (1)	1 LPD
1 LHA	1 LHA
2 T-AKE	
10 JHSV (2)	----
1 T-AGM 25	1 SSC
1 T-AGS	
3 MLP (3)	---
2 AGOR (2)	---
<b>54 (34)</b>	<b>4</b>

## 6 Ships Delivered

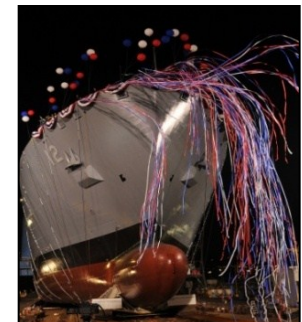
- T-AKE 11 (WASHINGTON CHAMBERS), 23 Feb
- DDG 110 (WILLIAM P LAWRENCE ), 23 Feb
- DDG 111 (SPRUANCE), 15 Apr
- T-AKE 12 (WILLIAM McLEAN), 29 Sep
- LPD 22 (SAN DIEGO), 19 Dec
- T-AGM 25 (HOWARD O. LORENZEN), 10 Jan

## FMS Update

- Egyptian Fast Missile Craft Dedication, 25 Oct
- Boat deliveries included:
  - 35m patrol boats to Iraq (boats 2-8)
  - 1st 27m MKV patrol boat to Kuwait
  - 2nd 18m tug to Kuwait
  - 1st Hydrographic Survey Vessel to Oman

## Boats and Craft Deliveries

- Nine Delivery Orders for a total of \$33.4M and 69 boats



# ***Executing to Should-Cost Estimates***

LCS Block Buy “The awards represent a unique and valuable opportunity to lock in the benefits of competition and provide needed ships to our Fleet in a timely and extraordinarily cost effective manner.”

- *Secretary of the Navy Ray Mabus*

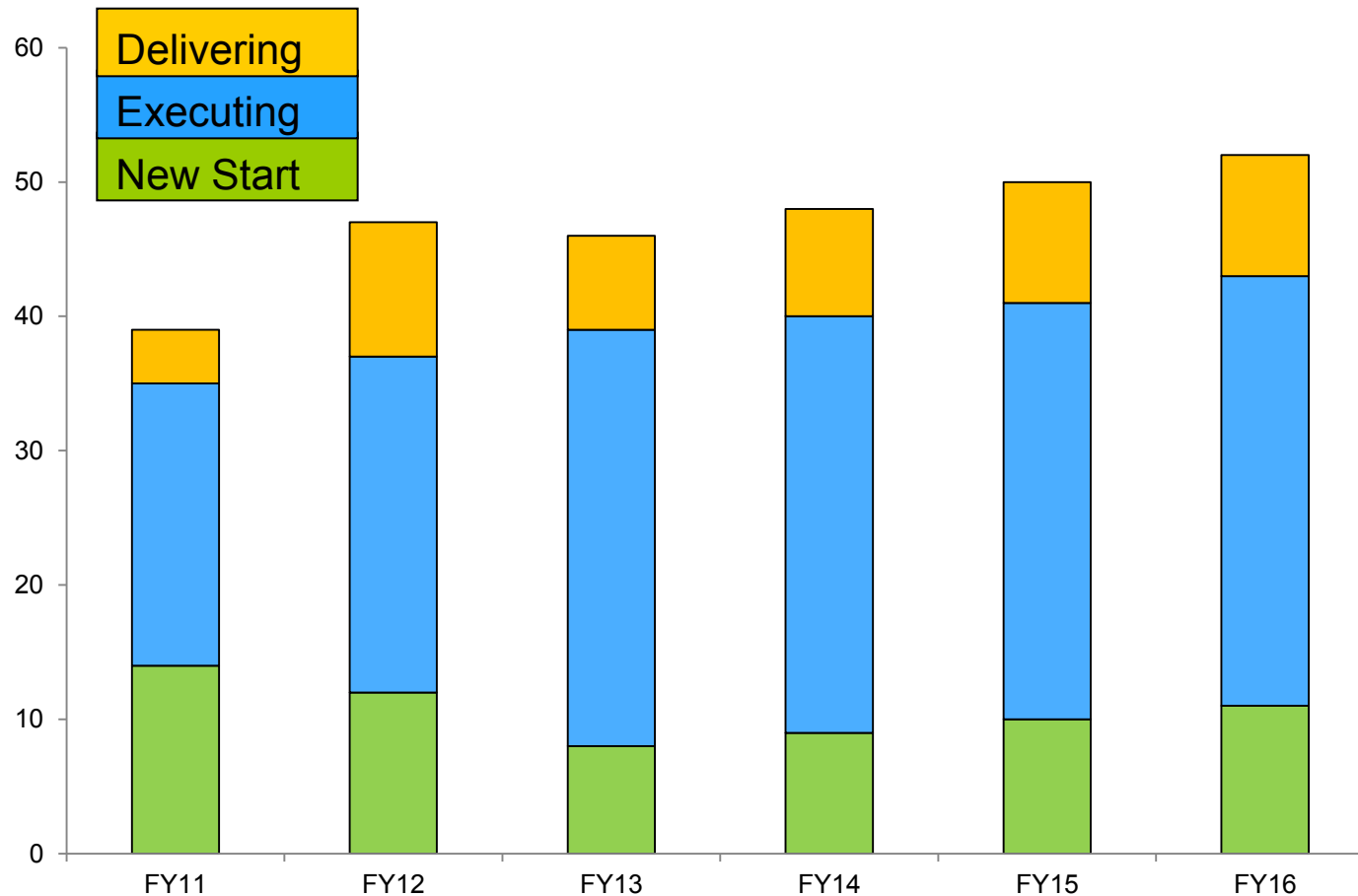
DDG 1001/1002 “This contract award demonstrates the Navy's commitment to balancing cost, capability and industrial base considerations to improve the affordability of this shipbuilding program. This is a great example of putting in place should-cost targets to meet validated warfighting requirements.”

- *Assistant Secretary of the Navy (Research, Development and Acquisition) Sean Stackley*

DDG 114-116 “These awards, including DDG 113 through DDG 116, deliver on Adm. [Gary] Roughead's determination to restart DDG 51 production, providing increased Air and Missile Defense for our future fleet and strengthening our industrial base — all the while, leveraging competition, incentivizing greater productivity and driving down costs. Firepower for the warfighter. Value for the taxpayer. PEO Ships and NAVSEA have put in place the best of practices that Secretary [Ashton] Carter has challenged the Navy to execute.”

- *Assistant Secretary of the Navy (Research, Development and Acquisition) Sean Stackley*

# Shipbuilding Across the FYDP



**\*Based on PB 12**

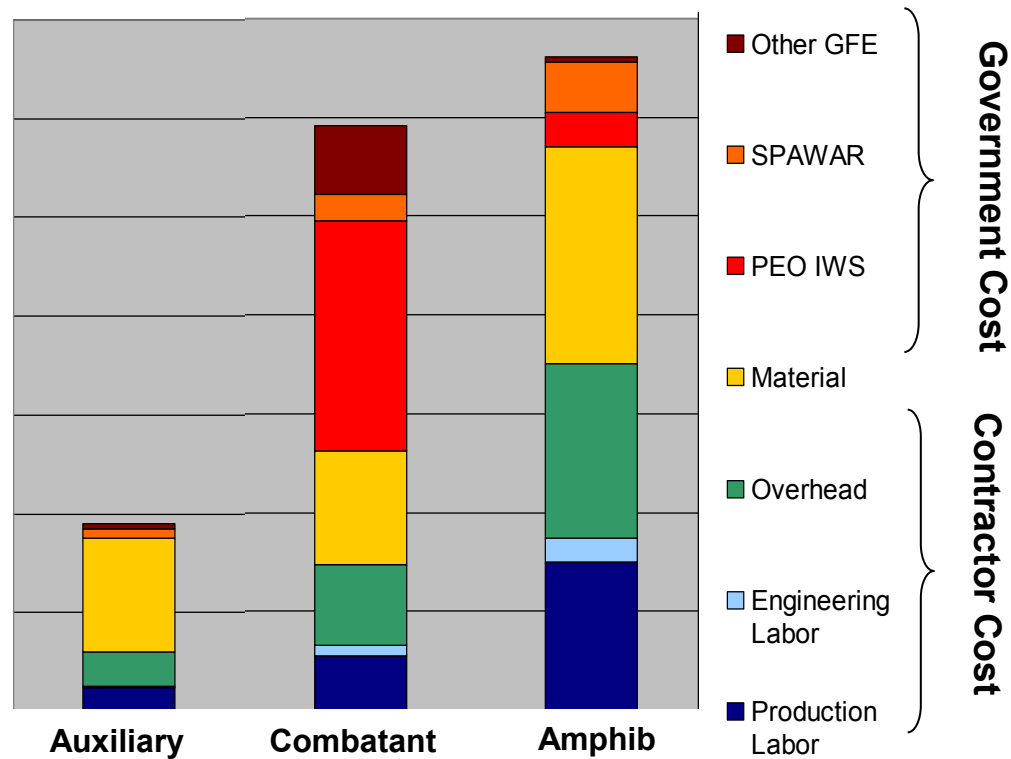
- Yearly procurement numbers include major U.S. warships
- Includes MSC, special mission ships and SSC
- Includes Egyptian FMC
- Does not include the ~100 average per year procurement of small boats and craft for U.S. and Foreign navies
- Does not include aircraft carriers or submarines

## ***Should-Cost in Execution***

- **Follow ship procurements provide confidence in ability to develop accurate should-cost estimates**
  - **Utilize extensive return cost data**
  - **In-depth analysis of material pricing**
  - **Extensive overhead cost analysis**

**Should Cost Estimates reflect past performance but  
do not reward poor performance**

## Cost Components By Hull



### Labor

Pipe  
Electrical  
Workforce stability  
1<sup>st</sup> Time quality

### Overhead

Workload  
Governance

### Material

Commonality  
Class Standard  
Bulk Buys  
Commercial Standards

### GFE

Bulk Buy  
Requirements Discipline

# Summary



- 1. Working with industry, we've made tremendous progress since last year.**
- 2. We've awarded numerous fixed-price shipbuilding contracts to help us meet force structure goals and sustain the industrial base.**
- 3. Navy shipbuilding budgets are based on should-cost estimates - - realistic, but need to execute successfully.**
- 4. Need to manage total ship costs including production and engineering, overhead and material/GFE costs.**